



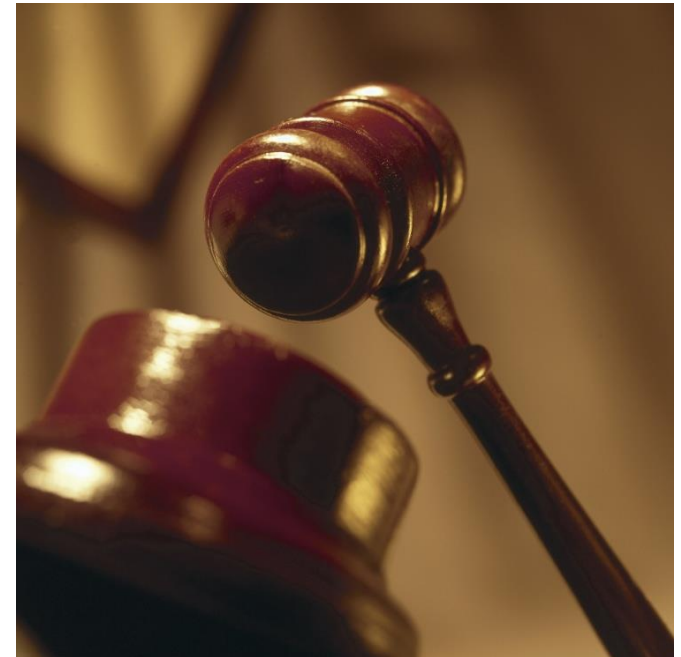
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# Getting There From Here:

## State Actions to Fund and Finance Transportation Projects



**Presentation to Members of the South Dakota Legislature**

January 17, 2014

Jaime Rall, Senior Policy Specialist, NCSL Transportation Program



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## Who is NCSL?

- Bipartisan organization
- Serves the 7,383 legislators and 30,000+ legislative staff of the nation's 50 states, its commonwealths and territories
- Covers all topics, not just transportation
- Activities:
  - Research and information on topics of interest to the states
  - Technical assistance and training
  - Opportunities for policymakers to exchange ideas
  - Lobbying at the federal level for states' interests



**Jaime Rall**  
NCSL Transportation  
Program

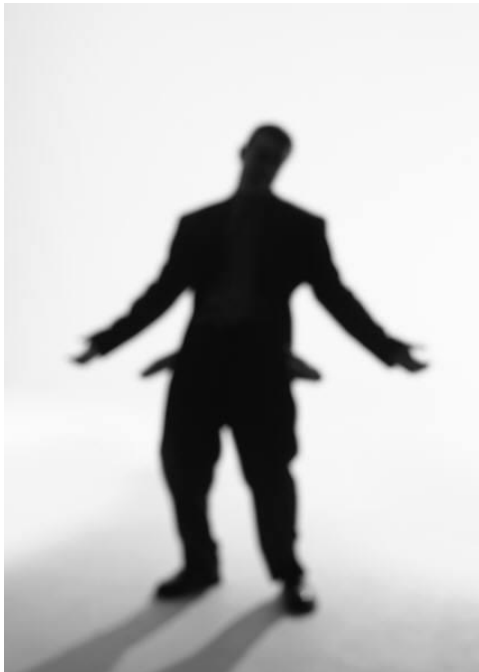


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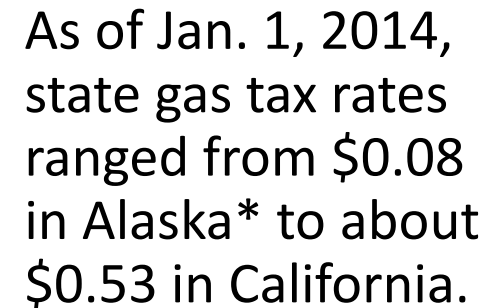
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# Transportation Funding Crisis



- **Chronic funding gaps**
- **Years of underinvestment**
- **Aging infrastructure**
- **Growing transportation demand**
- **Declining gas tax revenues**
- **Political reluctance to raise gas tax**
- **National recession**
- **State budget shortfalls**
- **Uncertainty of federal program**



Nationwide, the average state gas tax is 31.36 cents per gallon.

\* Plus local sales taxes for cities and boroughs

Source: American Petroleum Institute, 2014.





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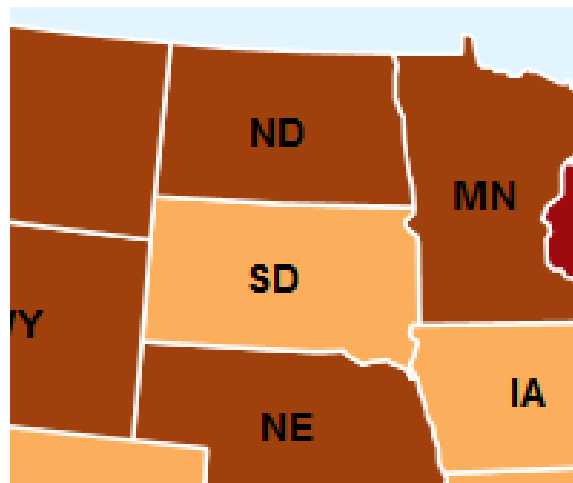
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## Gas and Diesel Tax Rates

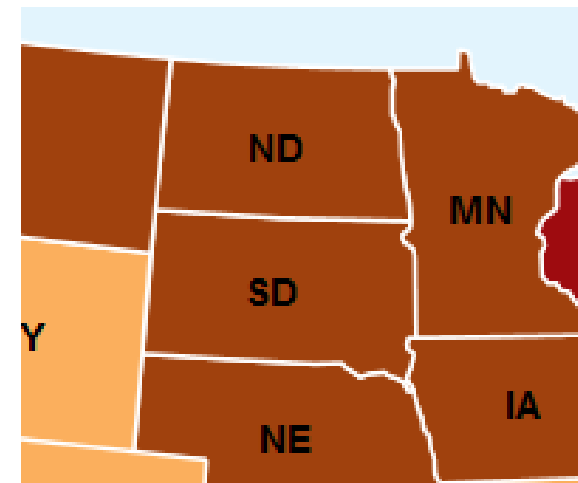
**South Dakota** has the **18<sup>th</sup> lowest combined gas tax** (federal and state) and the **20<sup>th</sup> lowest combined diesel tax** in the nation, well below national averages.

COMBINED GAS TAX



Greater than 49.5
40.5-49.5
Less than 40.5
U.S AVERAGE: 49.5

COMBINED DIESEL TAX



Greater than 54.8
47.0-54.8
Less than 47.0
U.S AVERAGE: 54.8

Source: American  
Petroleum Institute, 2013.

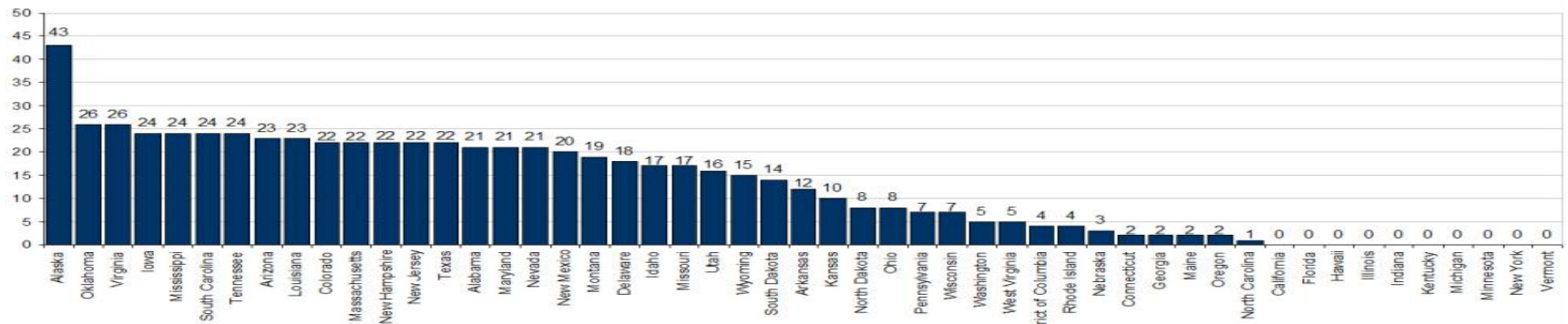


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## The Value of State Gas Taxes Has Fallen...



- As of Jan. 2013, 17 states had not raised gas taxes in **more than 20 years**
- No state had legislatively increased its gas tax in **2010, 2011 or 2012**
- After accounting for rising construction costs, the average state's gas tax had fallen by **20 percent** since last increase
- State gas taxes had fallen by a combined **\$10 billion each year**
- Often small increases were **lagging behind funding needs**

Sources: CSG, 2011;  
Institute on Taxation and  
Economic Policy, 2011 and  
2013; NCSL, 2012 and 2013.

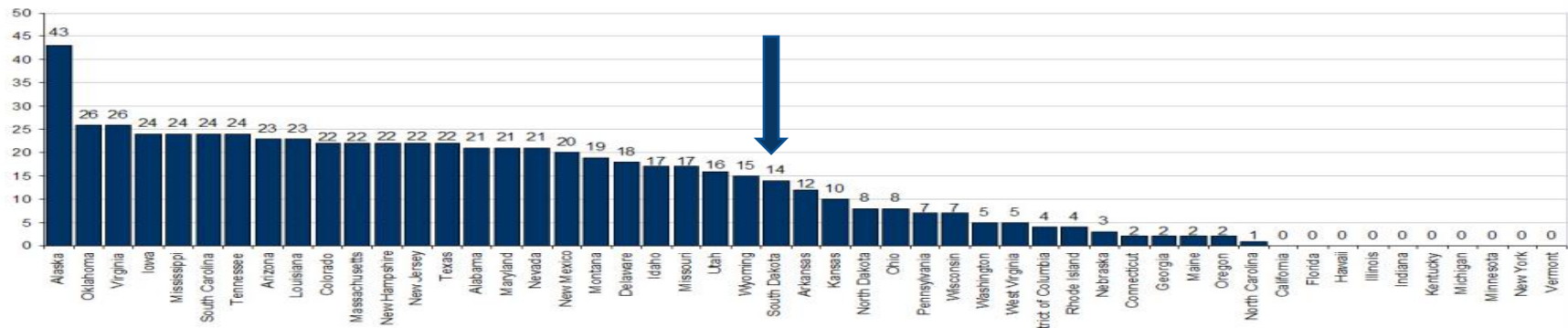


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## ...and South Dakota Is No Exception



Excise Tax	Years Since Last Increase (as of Dec. 2011)	% Change in Cost-Adjusted Rate Since Last Increase	Rate Change Needed to Return to Previous Level	Annual Revenue Yield of Rate Change
22.0 cpg	12 years	-30%	9.5 cpg	\$40.8 million



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# Transportation Funding Crisis



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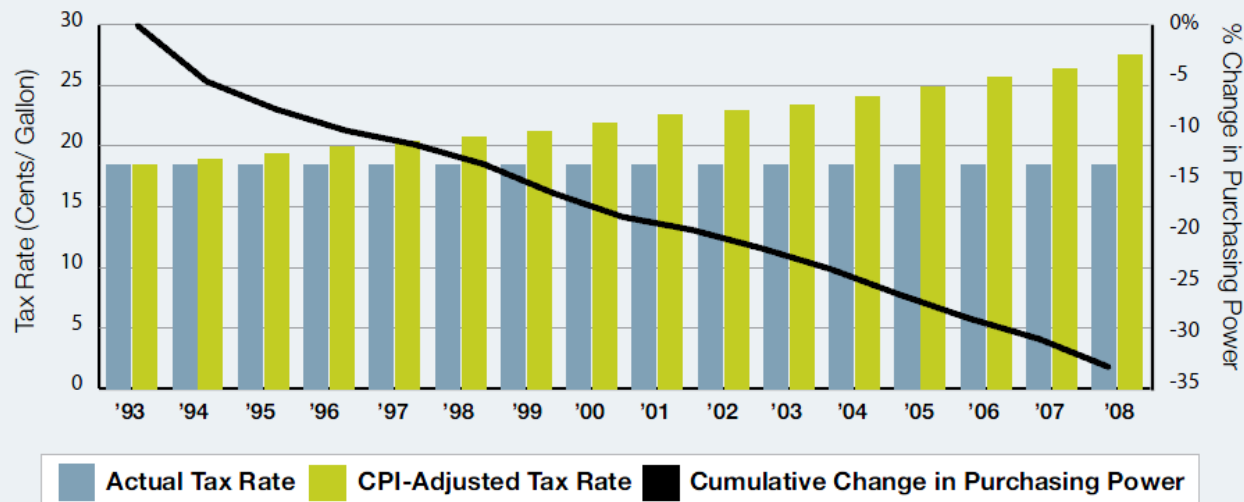
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## The Federal Gas Tax is Also Falling For the Same Reasons as (Most) State Gas Taxes

**EXHIBIT 2-9: FEDERAL GASOLINE TAX RATE AND LOSS IN PURCHASING POWER**



Source: FHWA 2006 Highway Statistics, Table FE-21B, indexed using CPI-U as reported by the Bureau of Labor Statistics.



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# Transportation Faces Its Own Fiscal Cliff



Image from ridelust.com

- The current federal surface transportation law (MAP-21) lasts for **only 27 months**
- The federal Highway Trust Fund is predicted to reach **insolvency** sometime in 2015
- Legislators express **skepticism** about future help from the federal government

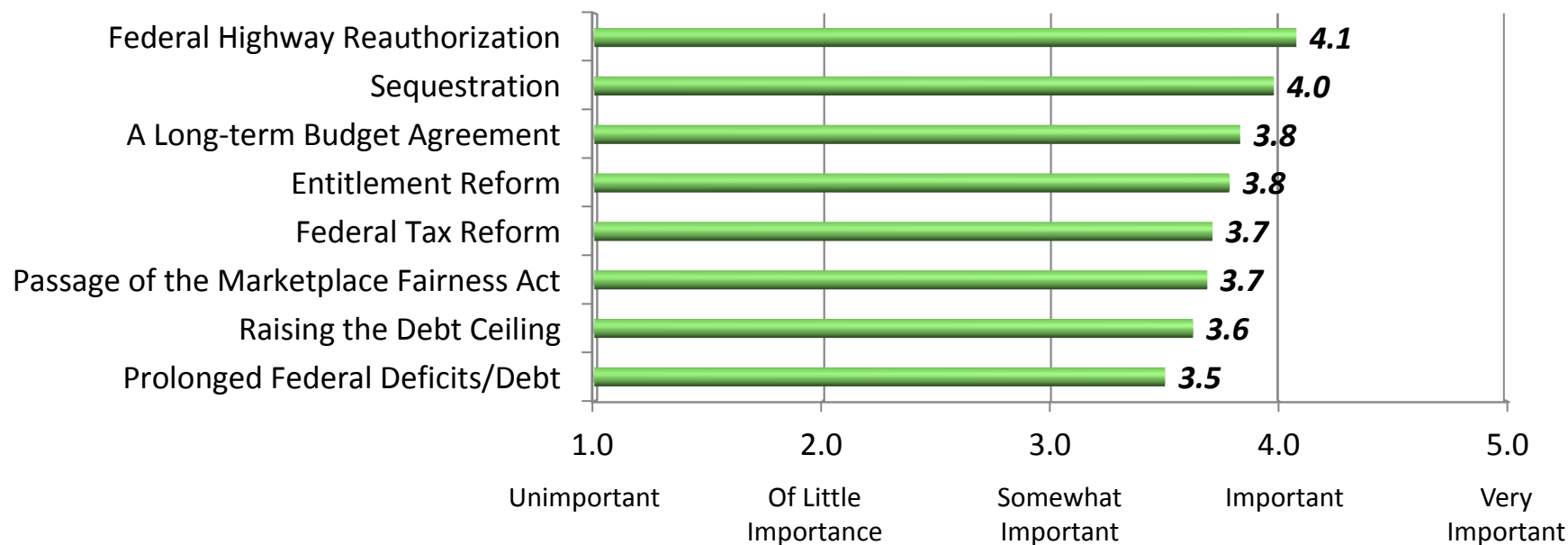


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# Federal Reauthorization is Critical to Stability of State Budgets



Source: NCSL survey of state legislative fiscal offices, fall 2013.



# Federal Transportation Dollars and the States

- Federal funds are about 20 percent of highway and transit spending
- As of 2012, federal funds were the **largest single source** of highway funding for 43 states and D.C. (including **South Dakota**)
- Federal dollars to the states have included:
  - Formula programs (e.g., federal-aid highway and transit programs)
  - One-time expenditures (e.g., federal stimulus)
  - Appropriations and grants (e.g., TIGER, Airport Improvement Program)
  - Earmarks (historically...)

Sources: FHWA, 2013; NCSL-AASHTO 2011.





# Predictions for 2014 Reauthorization Debate?



- Federal conversation has already begun
- Debate will be intense and high-stakes due to looming insolvency of the HTF
- Two kinds of options on the table:  
find funding or cut/eliminate spending

- TEA-21 was extended for 23 months, SAFETEA-LU for 32 months...  
Can they do this?
- NCSL and others will be working hard to ensure a continuing, strong federal partner, but also...
- 13 • State and local governments will still be seen as leading the way



# Costs of Underinvestment

AVIATION	D
BRIDGES	C <sup>+</sup>
DAMS	D
DRINKING WATER	D
ENERGY	D <sup>+</sup>
HAZARDOUS WASTE	D
INLAND WATERWAYS	D <sup>-</sup>
LEVEES	D <sup>-</sup>
PORTS	C
PUBLIC PARKS AND RECREATION	C <sup>-</sup>
RAIL	C <sup>+</sup>
ROADS	D
SCHOOLS	D
SOLID WASTE	B <sup>-</sup>
TRANSIT	D
WASTEWATER	D

- According to the ASCE, in 2010, deteriorating surface transportation infrastructure cost U.S. households and businesses **nearly \$130 billion** in vehicle operating, safety and environmental costs and time delays
- If current trends continue, these **costs will grow exponentially and accumulate** in coming years



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## **Transportation Infrastructure Was a Top State Issue in 2013 ...**

- At least 435 relevant bills considered in at least 47 states and D.C.
- Mentioned in at least 14 governors' "State of the State" addresses
- Identified by state legislative fiscal officers as one of the top fiscal issues for 2013 sessions

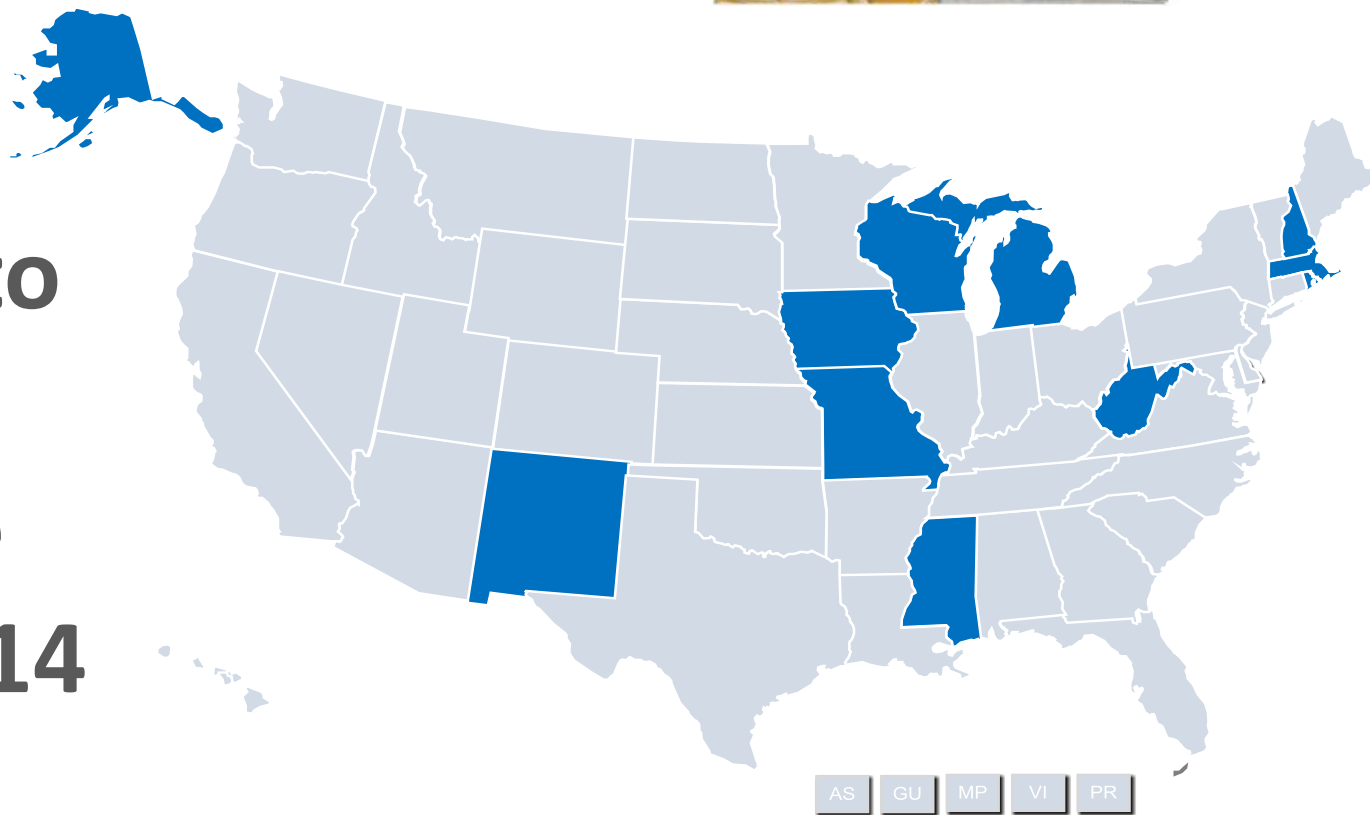


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**... And is  
Expected to  
Be a  
Top State  
Issue in 2014**







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# The Question States are Asking

- NCSL recognizes that the federal government plays a vital role and that the federal program should be continued and preserved ...
- ... at the same time, the key question has been:  
**How can states provide needed transportation infrastructure in a time of uncertainty ... with or without long-term, sustainable federal programs?**



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## What Options Do States Have?

- Funding
- Financing
- Efficiency,  
accountability and  
revenue-protection



Utah State Legislature image from Zau.

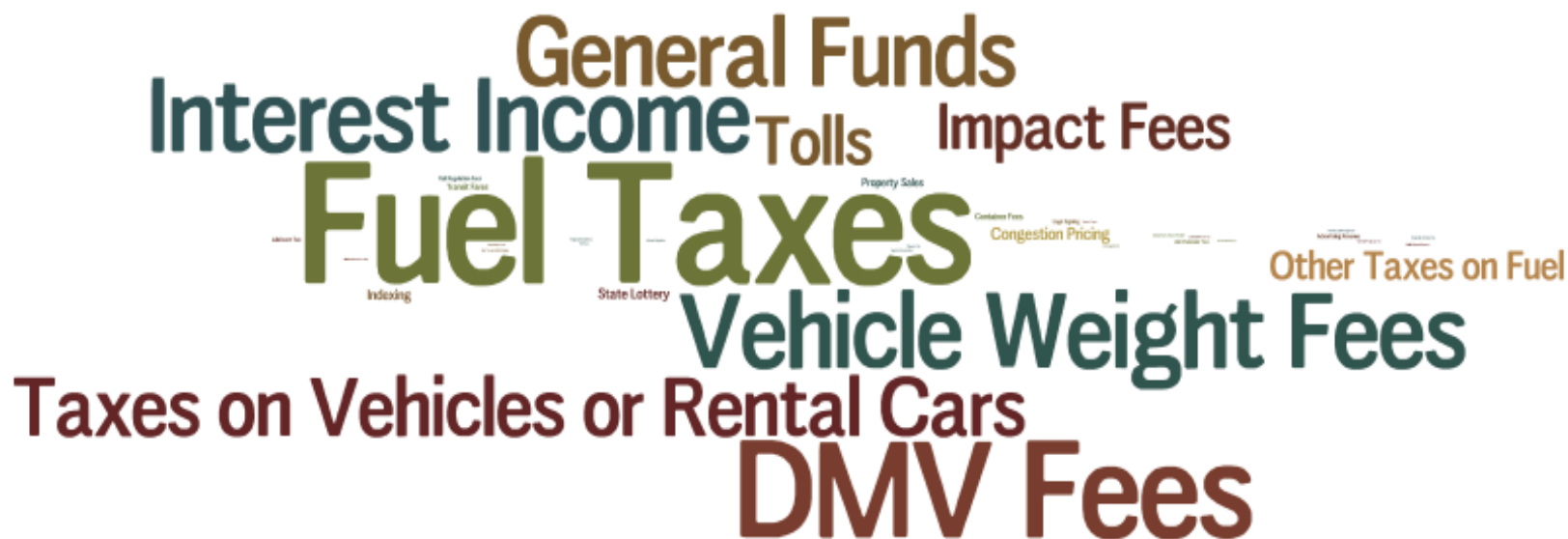


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## How Have States Funded Surface Transportation?



Note: States provide about half of all funding for roads, bridges, rail and transit—compared to the federal contribution of about 20 percent.



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## What Does South Dakota Do?



- Fuel taxes
- Sales taxes on gas or diesel
- Vehicle/rental car sales taxes
- Registration/license/title fees
- Truck weight fees
- Interest income
- Sign fees
- Billboard permits





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# State Transportation Funding in 2013 Sessions



In 2013, state legislatures considered a variety of transportation funding options, from the traditional to the unprecedented ...

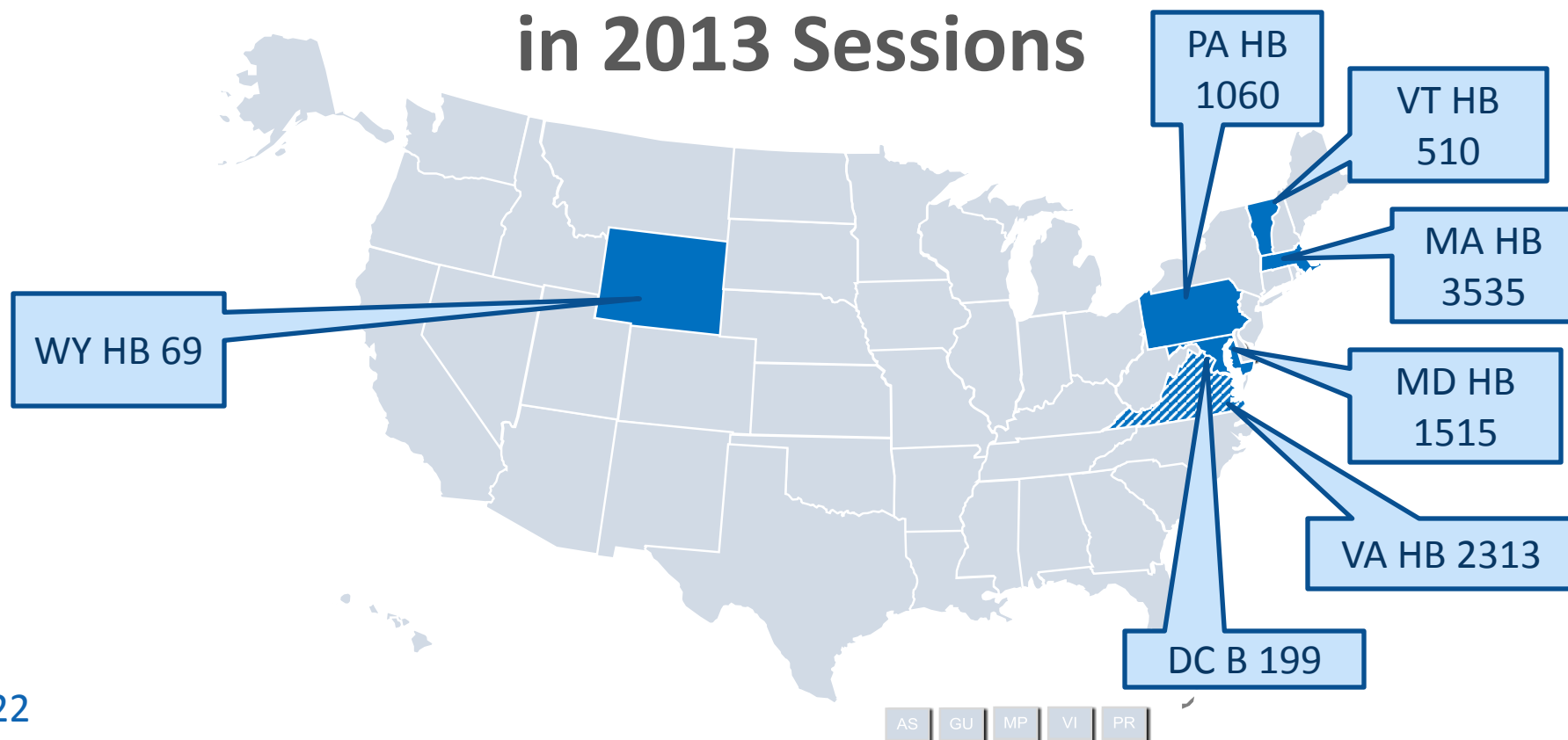


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## Six States and D.C. Enacted Gas Tax Increases in 2013 Sessions





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# Will States Lead the Way on Gas Taxes?

Senate EPW Chair  
Barbara Boxer (D-CA) has  
suggested the federal  
government “follow the  
lead of some of our  
states” with a  
percentage-based gas tax







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## Is Raising Gas Taxes Enough?

- “Even without alternative fuel vehicles, **the fuel tax won't keep pace** and the system just won't work.”

*Sen. Bruce Starr, Ore.*

- “With higher efficiency standards and alternative fuel vehicles, **government cannot continue to rely on the gas tax** as a revenue source.”

*Speaker Bill Howell, Va.*

- “The gas tax will always play a role in funding our transportation system, but **eventually we will have to look at more stable sources as well.**”

*Rep. Judy Clibborn, Wash.*







## Gas Tax Alternatives

- Fees for alternative fuel vehicles or electric vehicles
- Taxes on alternative fuels
- Mileage-based user fees (also known as Vehicle Miles Traveled or VMT fees)



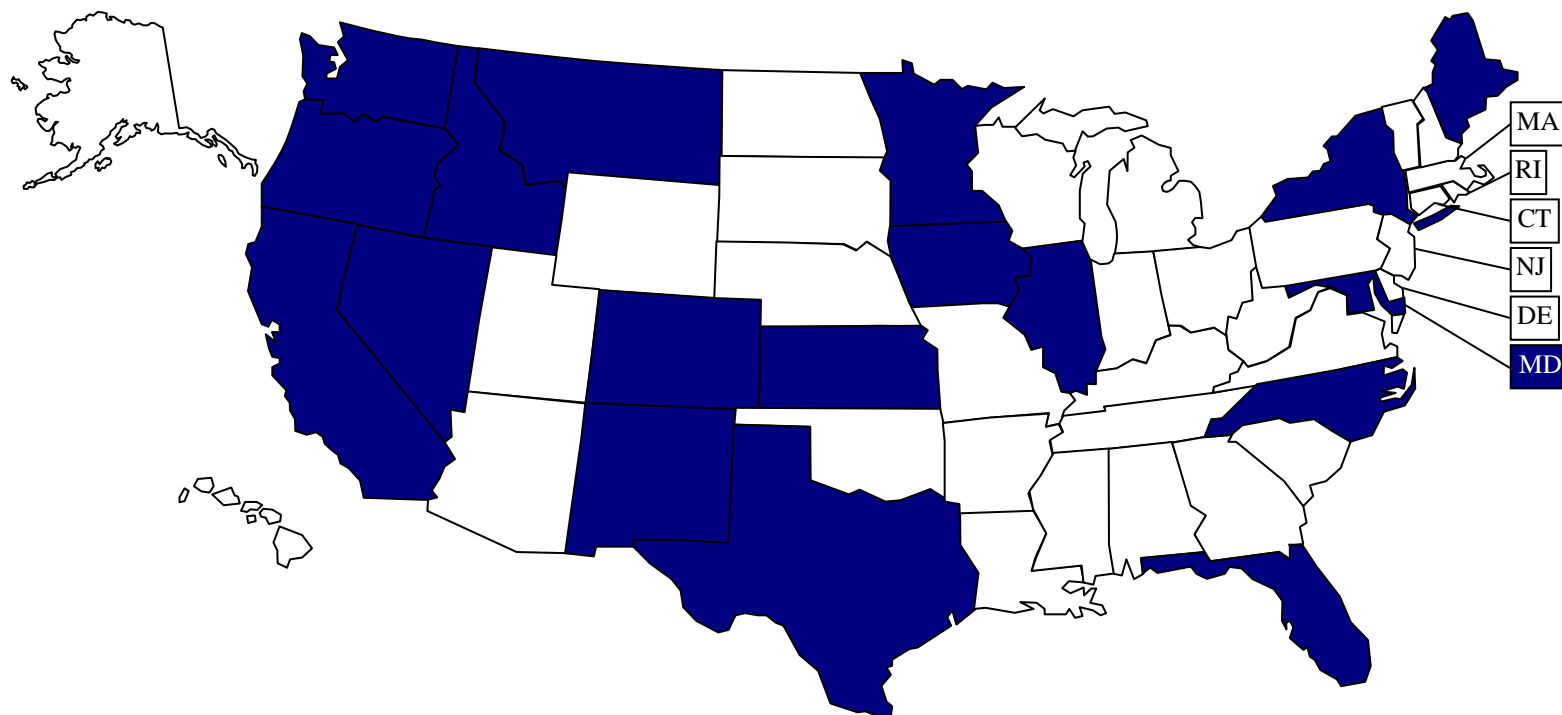


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## Per-Mile Fees: Pilot Projects



As of 2012, at least 18 states had undertaken VMT pilot projects.

Source: NCSL, "On the Move," 2012.

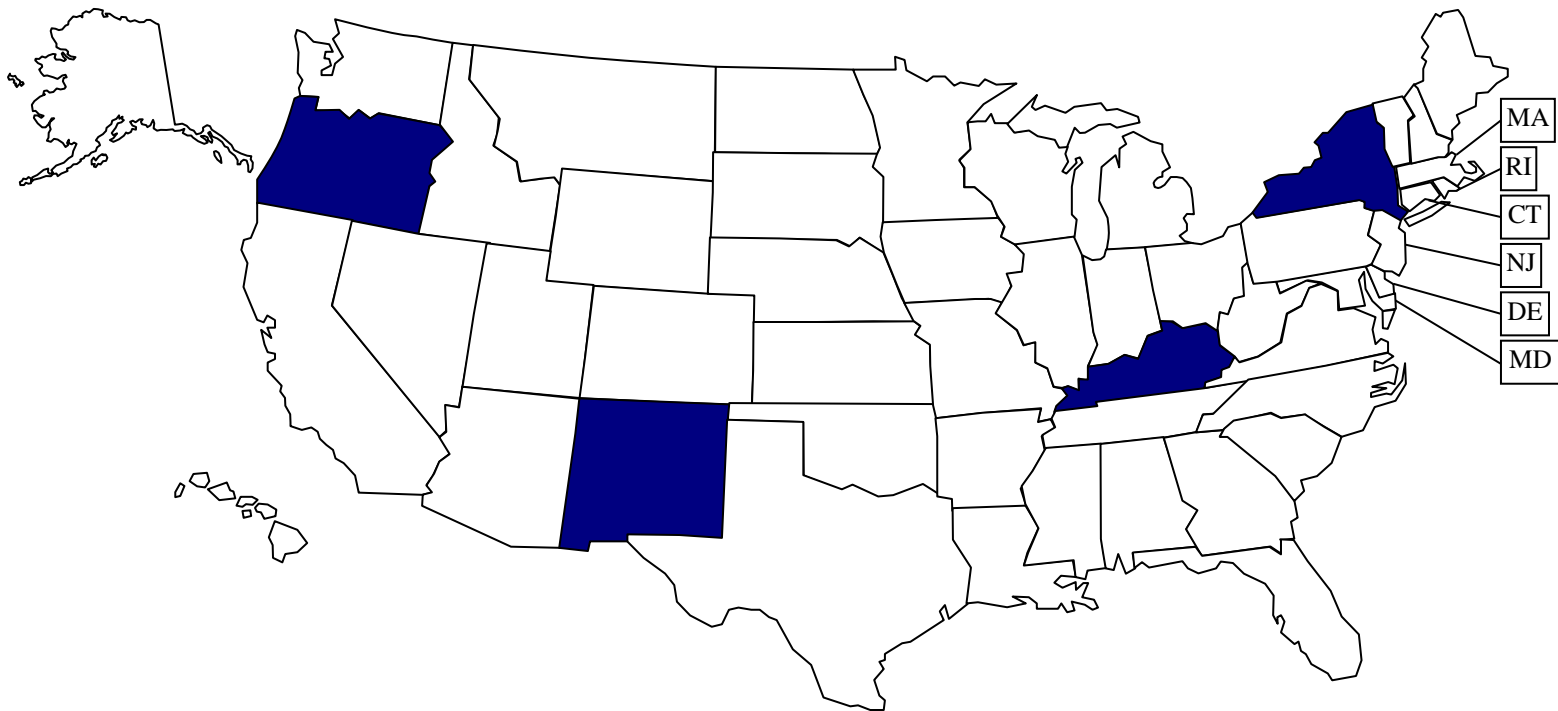


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## Weight-Distance Taxes



Four states tax heavy vehicles based on miles traveled and vehicle weight.

Source: NCSL, "On the Move," 2012.

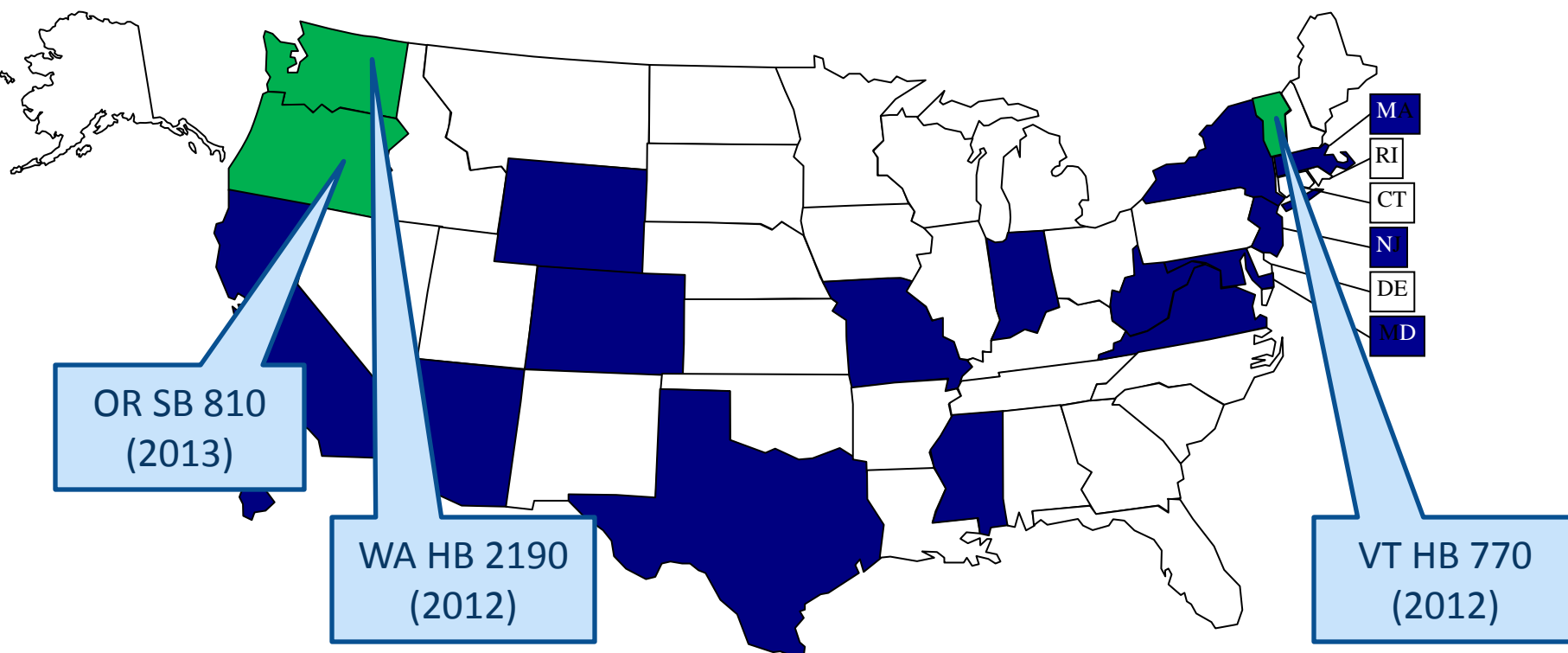


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## Relevant Legislative Activity



At least 46 VMT-related bills have been introduced in 18 states since 2008.  
**Vermont** and **Washington** enacted bills in 2012 to study per-mile charges.  
In 2013, **Oregon** enacted a 5,000-vehicle voluntary program.





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## How Have States Financed Surface Transportation?

**Bonds** **Public Private Partnerships**  
Private Activity Bonds TIFIA Federal Credit Assistance  
**State Infrastructure Banks**  
**Design Build** **GARVEEs**

29 These tools leverage or borrow against transportation revenues. None of them—  
including public-private partnerships (PPPs or P3s) —generate new revenues for states.

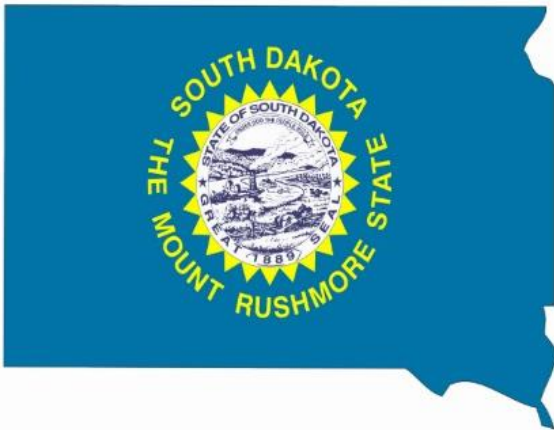


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## What Does South Dakota Do?



- State infrastructure bank
- NOTE: South Dakota is one of six states that relies on pay-as-you-go financing rather than debt



## Potential of the PPP Option

- PPPs allow the private sector to take on responsibilities and risks usually undertaken by the state—including financing
- PPPs can help complete large-scale transportation projects by bringing in private dollars to leverage
- BUT the private sector still needs to make a return on investment, usually from taxes, tolls or fees

**So: PPPs themselves do not bring in new money for states (they are *finance*, not *funding*).**

For more information, see the NCSL PPP toolkit at  
<http://www.ncsl.org/default.aspx?tabid=20321>



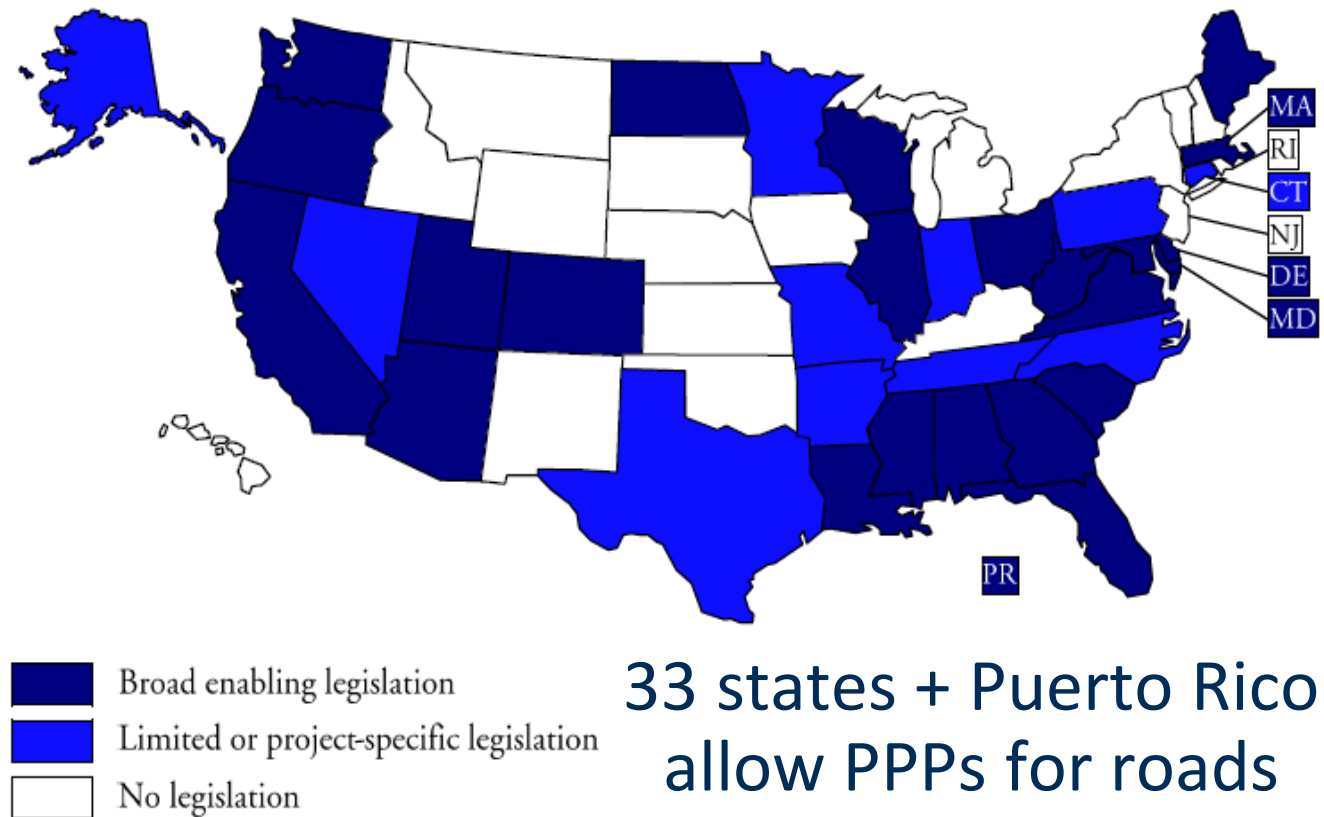
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## PPP Enabling Statutes

NCSL advises that solid, balanced and comprehensive state enabling legislation is the key to thorough consideration of PPP proposals and the protection of the public interest.



33 states + Puerto Rico  
allow PPPs for roads  
and/or bridges





# Other Legislative Options



## Efficiency and Accountability

- E.g., streamlining, consolidation, devolution, reporting requirements, performance management



## Protections on Transportation Revenues

- E.g., constitutional protections on trust funds, bans on transfers or diversions of transportation revenues



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## Contact Details and Resources



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NCSL Transportation Program

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[jaime.rall@ncsl.org](mailto:jaime.rall@ncsl.org)

For details about specific state bills, see NCSL's online, searchable Transportation Funding and Finance Legislation Database:

<http://www.ncsl.org/default.aspx?TabId=25720>

NCSL is always seeking **public and private funding partners** for collaborative research and outreach initiatives that serve the needs of state legislatures.

Besides **no-cost technical assistance to state legislative entities** upon invitation, we also provide responses to **individual requests for information**.

Please contact us if you're interested.